



Annual Report and Financial Statements

Year to 31 December 2008



Standard Life Investments
Property Income Trust Limited

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IF YOU HAVE SOLD OR TRANSFERRED ALL YOUR SHARES IN THE COMPANY, YOU SHOULD PASS THIS DOCUMENT AND IT'S ACCOMPANYING DOCUMENTS TO THE PERSON THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE.

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Objective

To provide shareholders with an attractive level of income together with the prospect of income and capital growth.

Investment Policy

The Directors intend to achieve the investment objective by investing in a diversified portfolio consisting of UK commercial properties. The majority of the portfolio will be invested in direct holdings within the three main sectors of Retail, Office, and Industrial, although it may also invest in “other” commercial property such as hotels, nursing homes and student housing. Limited development and investment in co-investment vehicles is permitted (maximum 10% of the portfolio).

In order to manage risk in the Company, without compromising flexibility, the Directors will apply the following restrictions to the portfolio in normal market conditions:

- No property will be greater by value than 15% of total assets.
- No tenant (excluding Government) shall be responsible for more than 20% of the Company's rent roll.
- The Loan to Value ratio (using the calculation method of borrowings less cash (excluding tenant deposits) divided by property portfolio value) will not exceed 65%.

Financial Highlights

- Dividend of 6.76p paid during 12 months to 31 December 2008
- Dividend re-based to an annulised level of 4p per share with the first quarterly interim dividend of 1p per share paid in February 2009
- Net Asset Value per share decreased by 44.7% during the year to 61.7p
- Open market value of property portfolio as at 31 December 2008: £123.0m*
- Two properties disposed of during the year for £19.9m, one property purchased for £7.5m (excluding sales and purchase costs)

Financial Summary

	31 December 2008	31 December 2007	% Change
IFRS Net Asset Value per share**	62.7p	113.3p	-44.7%
Pubilshed adjusted IFRS Net Asset Value per share***	61.7p	111.6p	-44.7%
Share price	49.7p	77.8p	-36.1%
Value of total assets	£169.0m	£219.4m	-23.0%
Loan to value****	32.4%	27.9%	-
Cash balance*****	£44.5m	£34.5m	-
Dividend per share*****	6.760p	6.760p	0.0%

* As valued by the Group's independent property valuer, Jones Lang Lasalle Limited.

** Calculated under International Financial Reporting Standards.

*** Calculated under International Financial Reporting Standards, adjusted to include the dividend declared in respect of the quarter ended 31 December 2008.

**** Calculated as bank borrowings less full cash balance (excluding tenant deposits) as a percentage of the open market value of the property portfolio as at 31 December 2008. As disclosed in Note 12 to the Consolidated Financial Statements, this calculation method differs from the method to be applied in assessing whether the Company has complied with the financial covenants in its current loan agreement.

***** Excluding tenant deposits. A breakdown and explanation of cash balances can be found in Note 10 to the Consolidated Financial Statements.

***** Dividends paid during 12 months to 31 December 2008.

Chairman's Statement

The comments I made in my interim report remain as relevant, if not more so, in the current environment. The UK economy has continued to deteriorate and the banking sector shows no sign of recovering from the impact of the global financial crisis. Transactional activity in the property market has slowed and values have continued to fall. Over the course of 2009 increasing numbers of property owners are expected to suffer liquidity issues and economic fallout resulting in distressed sales and buying opportunities. The Company is well-positioned to take advantage of any opportunities that may be suited to its portfolio.

Performance: Property Income and Total Return

The Company generated a property income return of 6.5% on its properties which was comparable with the IPD Monthly Index of 5.5% in respect of the year ended 31 December 2008. The total return numbers were hit hard given the significant falls in commercial property values experienced during 2008. The Company's total return on property (only) was -20.4% compared with the IPD Monthly Index of -23.3%. The Board and Manager, however, made a deliberate decision to hold substantial cash balances and the Company's overall total return (including cash) was -15.1%.

Performance: Net Asset Value

The Company's published net asset value fell over the reporting period from 111.6p per share to 61.7p. As can be seen from the table below, the vast majority of the decline in published net asset value related to the fall in the valuation of the Company's commercial property, including the impact of gearing, which accounted for 85% or 42.4p of the fall in net asset value over the year. The other major negative during the year was the impact of the valuation of the interest rate swap which the Company put in place to fix the borrowing rate at launch for the majority of its borrowings. The significant reduction in interest rates during the period impacted the asset value by 7.0p, accounting for 14.2% of the net asset value reduction.

	Pence per share	% of opening NAV
Published net asset value as at 31 December 2007	111.6	-
Decrease in valuation of property portfolio (Including the effect of gearing)	(42.4)	(38.0)
Decrease in interest rate swap valuation	(7.0)	(6.3)
Other reserve movements	(0.5)	(0.4)
Published net asset value as at 31 December 2008	61.7	55.3

Dividends

A dividend of 1.69p per share was declared in respect of each of the first three quarters of the year, followed by a fourth quarter declared dividend of 1p per share. On 11 November 2008, the Board announced a rebasing of future dividends to an annualised level of 4p per share. The Board has always targeted a high level of dividend cover and continues to believe that this is an appropriate discipline for the Company to follow. The Company's decision to sell properties in 2007 (and early 2008) proved to have been right. However, the collapse of the banking sector and the significant reduction in interest rates which followed was an unforeseen blow to the Company's income return on its cash position. The Board also considered it prudent to assume a reduction in the level of rental income recoverable for 2009 when making its dividend decision in light of both current market conditions and the future outlook for UK commercial property. Should the Company's forecasts for 2009 prove to be overly conservative this will not preclude payment of a further special or enhanced dividend by the Company in early 2010 commensurate with its policy as an income fund.

Management Fees and Other Expenses

At the same time that the Board announced a rebasing of its dividends the Investment Manager agreed to reduce its management fee to 75 bps (from 85 bps), effective in the quarter ended 31 December 2008, of gross asset value until such time as the published net asset value per share returns to the launch level of 97p per share. This followed an announcement in June 2008 that the management fees on cash would be reduced to 20bps on any cash balance exceeding more than 10% of total assets, effective from 1 July 2008. This action was in recognition of the cash being held for substantially longer than originally anticipated. All other expenses have been kept under tight review and are being reduced where possible.

Chairman's Statement continued

Loan to Value Ratio

The Company was in compliance with its banking covenants as at 31 December 2008 and the Board is confident that this should continue to be the case for 2009. The Company is able to manage compliance with its loan to value covenant by either placing cash deposits with the Company's lender (The Royal Bank of Scotland plc) in order to increase gross secured assets or by using cash to repay a portion of the borrowings. If the Company was to use all its uncommitted cash resources to repay bank borrowings then the market value of its investment properties would need to fall by more than 25% before it would be unable to comply with its loan to value covenant. The Investment Manager remains in regular contact with the Company's bankers in light of events in the banking sector. The Company's borrowing facilities do not mature until 2013 which leaves the Company well placed given the lack of credit available in the banking sector.

As a reminder to shareholders £72m of the Company's borrowings are at a fixed rate of interest until 2013 and the rate on the remaining £12.4m varies with LIBOR plus a margin. Currently the rate payable on the £12.4m is 2.0% and this is being rolled over monthly. The fixed rate was negotiated down by 0.1% to 5.015% plus a margin of 60 bps, equating to an annual saving of £72,000 (applicable from 1 January 2009).

Discount and Share Price

The discount to published net asset value ended the year at 19.4% having started the year at 30.3%. The share price fell by 36.1% during the year to 49.7p. At the date of writing the share price is 28.2p equivalent to a discount to the 31 December 2008 NAV of 54.3%.

Dividend Yield

The current share price represents an attractive prospective dividend yield of 14%. The published net asset value would have to fall by a further 54.3% to reach the current share price providing some protection for new purchasers. The current dividend yield compares favourably with bank deposit rates of around 1% and redemption yields on UK gilts of under 3.5%.

Investment Outlook

The Board and the Investment Manager anticipate another challenging year for property investors. The fundamentals supporting the market should recover towards the latter part of the year if the significant global fiscal stimuli coupled with unprecedented monetary easing and anticipated gradual thawing of credit markets restore confidence and liquidity to financial markets as anticipated and help to reduce the general mood of caution prevailing across asset classes. However, uncertainty remains elevated and the de-leveraging process currently underway in the markets looks likely to play out further.

Asset management initiatives will remain critical to preserving property values and rents. With the Company's cash position of £44.5m at the year end the Company is well placed to take advantage of attractive buying opportunities that may arise. The Company should be in a good position to negotiate beneficial terms from sellers to enhance income returns for the benefit of shareholders.

David Moore
Chairman
30 March 2009



Investment Manager's Report

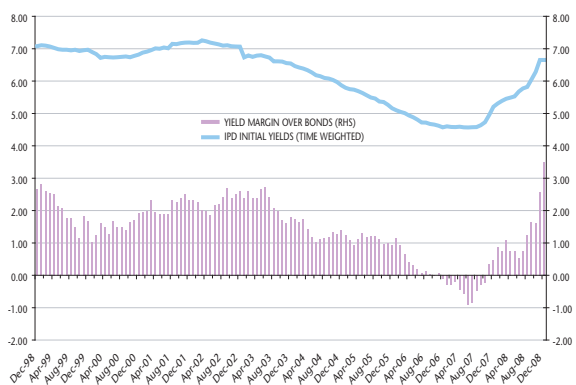
UK Property Market

2008 was a dismal year for the UK commercial property market with the IPD Monthly Index suffering the lowest total return in its history at -23.3%. The final quarter in particular saw a rapid fall in capital values at -15%.

Since the peak of the market in June 2007 capital values fell by 35% to the end of December 2008, a period of only eighteen months. To put this into context, in the early 90's recession the property market fell by 27% over forty two months. The rapid and severe correction in part reflects the scale of price adjustment required to get back to fair value, but also reflects the transparency and liquidity of the UK commercial property market. In the early 90's many funds were only valued annually, and often internally, whereas now external valuations on a quarterly or even monthly basis are common place. Although the price correction was initially driven by the banking crisis, the current pricing falls reflect market concern over the occupational market and the tenant's ability to pay rent.

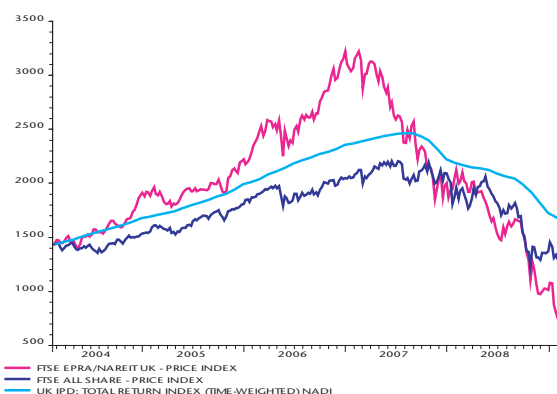
At the end of 2008 the yield margin of property over gilts had reached a level of over 300 bps which began to suggest fair value, however concern was focussed on the occupational demand for property as both the service and retail sectors have declined as the economy has slowed down, and supply has increased.

PROPERTY YIELD MARGIN OVER BONDS



Source: IPD, Datastream

DIRECT PROPERTY AND LISTED SECTOR



Source: Datastream

The listed sector did not fare any better in 2008 although it showed some resilience in the first quarter of 2008. The negative sentiment over the economic outlook and growing concerns over banking covenants meant that the FTSE/EPRA NAREIT price index fell by 48.5% over 2008 and discounts in the REIT sector widened to an average of 31.5%.

Total Returns (dividends reinvested) 12 months to 31 December 08	%
UK COMMERCIAL PROPERTY TRUST	-15.36
F&C COMMERCIAL PROPERTY	-22.45
SLI PROPERTY INCOME TRUST	-27.29
ISIS PROPERTY TRUST	-31.61
ISIS PROPERTY TRUST 2	-33.83
ING UK REAL ESTATE INCOME TRUST	-63.76
INVISTA FOUNDATION	-76.22
ADVANTAGE PROPERTY INCOME TRUST	-85.17
INVESCO PROPERTY INCOME TRUST	-88.18
AVERAGE INCOME TRUST	-49.32
FTSE ALL SHARE	-30.59
FTSE ALL SHARE REAL ESTATE	-46.03

Source: Datastream



Investment Manager's Report continued

Property Investments as at 31 December 2008

Name	Location	Sub-sector	Market Value £
Hollywood Green	London	Leisure	12-14m
Clough Road Retail Park	Hull	Retail Warehouses	10-12m
White Bear Yard	London	Standard Office	6-8m
Drakes Way	Swindon	Standard Industrial	6-8m
2-4 Bucknall Street	London	Standard Office	6-8m
Ocean Trade Centre	Aberdeen	Industrial Park	6-8m
Bathgate Retail Park	Bathgate	Retail Warehouses	4-6m
Century Plaza	Edgware	High Street Retail	4-6m
Chancellors Place	Chelmsford	Standard Office	4-6m
Marsh Way	Rainham	Standard Industrial	4-6m
Interfleet House	Derby	Office Park	4-6m
Pit Hey Place	Skelmersdale	Distribution Warehouse	4-6m
Farah Unit, Crittal Road	Witham	Standard Industrial	2-4m
Turin Court	South Manchester	Standard Office	2-4m
Windsor Court & Crown Farm	Mansfield	Standard Industrial	2-4m
Phase II, Telelink	Swansea	Office Park	2-4m
Esporta	Chislehurst	Leisure	2-4m
Coal Road	Leeds	Standard Industrial	2-4m
De Ville Court	Weybridge	Standard Office	2-4m
31-32 Queens Square	Bristol	Standard Office	2-4m
Halfords	Paisley	Retail Warehouses	2-4m
Wardley Industrial Estate	Manchester	Retail Warehouses	2-4m
Eurolink Normanton	Leeds	Industrial Park	2-4m
Easter Park	Bolton	Distribution Warehouse	2-4m
Lister House	Leeds	Standard Office	1-2m
Unit 14 Interlink Park	Bardon	Distribution Warehouse	1-2m
Portrack Lane	Stockton on Tees	Distribution Warehouse	1-2m



31-32 Queens Square, Bristol



Halfords, Paisley



Century Plaza, Edgware



Interlink, Bardon

Investment Manager's Report continued

Outlook

2009 is likely to be another challenging year for UK commercial property. Despite the major price correction seen so far in this cycle (-35% to December 2008) we expect the final peak to trough fall to be approximately 50%. The first half of 2009 is likely to see the majority of the remaining fall in values, with continued outward yield shift. Negative rental growth will further impact on values.

The medium term outlook is slightly better, with income dominating the make-up of total return, and economic recovery coming through in 2010 as a result of the large scale government stimulus. Retaining a strong income stream through active management and tenant retention will be important drivers of performance.

Portfolio Valuation

The investment properties were valued at £123.0m at the end of the year and the Company had cash holdings of £44.5m (excluding tenant deposits) representing 27% of the Company's portfolio value.

The valuations were undertaken by Jones Lang LaSalle who were appointed in December 2007. At the end of the year the Company's property portfolio initial yield was 8.0% and the equivalent yield was 8.4%. This compares to 6.4% and 6.7% respectively at the end of December 2007. The Company's void level of 5.1% at the end of December 2008 included two units still let to Administrators, but where no rental income is expected. Although the void level increased over the year from 1.2% at the end of December 2007, levels still remain well below the IPD Monthly Index of 9.7%.

Property Portfolio Components of Total Return		
Sector	Total Return (%)	Benchmark (%)*
Standard Retail – South East	-13.4	-17.4
Retail Warehouse	-30.0	-24.9
Offices – London West End	-25.9	-26.0
Offices – South East	-14.4	-20.6
Offices – Rest of UK	-16.4	-20.3
Industrial – South East	-25.2	-21.0
Industrial – Rest of UK	-16.7	-20.1
Leisure	-16.5	-17.4
All Retail	-26.8	-23.9
All Offices	-19.2	-23.3
All Industrial	-18.3	-20.6
Other	-16.5	-17.4
All Property	-20.4	-22.9

Source: IPD

* IPD Monthly Index

Purchases

Following completion of the purchase of a £7.5m (excluding purchase costs) industrial unit in the first quarter of 2008 (exchanged in fourth quarter of 2007) no further purchases have been made. With hindsight, the timing of this purchase was poor, although it is a good quality asset and was attractively priced at the time, the extent of the market fall in 2008 was greater than forecast.

After the reporting period the Company exchanged contracts to purchase a Grade A office building in Uxbridge for £11m. The purchase price shows a net initial yield of 9.95% based on an annual rent of £1.1m. The office, which was built in 2001, extends to 51,000sqft on ground to fourth floors, with two levels of underground parking. The purchase price represents less than the rebuilding cost of the building. The purchase adds significantly to the revenue account, and provides scope for strong future capital growth.

Investment Manager's Report continued

Investment Activity

Sales

The Company completed the sale of Wellington House, London for £17.65m in the first quarter of 2008. At the time it was the biggest asset in the Company, and with the deterioration of the occupier and investment market since the sale the Company has benefited from holding cash.

During the third quarter of 2008 a small plot of storage land was sold to the tenant for £0.27m, and in December 2008 a vacant logistics unit was sold to an owner/occupier for £2.25m. The unit had previously been let on a long lease to Innovate Logistics, which had been rated as a low risk 5A1 tenant by Dun & Bradstreet prior to going into administration.

Asset Management

During the course of 2008 the focus of activity was on securing the Company's rental income stream as much as possible. As well as removing two break clauses with DSG at Clough Road, Hull (securing the income stream to 2021) the Company completed four new leases, two lease renewals, and agreed terms with two tenants to extend their leases.

Gearing

There has been much focus on gearing levels in the sector over the course of 2008. Having repaid £9.85m of debt under the Company's revolving credit facility at the end of 2007 the Company has retained its main facility with The Royal Bank of Scotland plc of £84.4m termed out to December 2013. The Company has an interest rate swap in place for £72m of this debt fixing the interest rate at 5.72%. The valuation of the swap has been adversely impacted by the fall in expected interest rates and over the course of 2008 had a total impact on the NAV of -6.3%. The value of the swap will tend towards zero as it moves towards maturity in 2013. The fixed interest rate applicable to the £72m hedged portion of the loan facility was reduced in December 2008 to 5.62% at no cost to the Company. At the same time the Company moved to resetting the interest rate on its loan facility monthly (previously reset quarterly), thereby affecting the interest payable on the un-hedged part of the loan facility (£12.4m). This has benefited the Company in the early part of 2009 and will continue to do so if one month Libor remains below the three month rate.

As part of the calculation of the loan to value bank covenant, cash deposited with RBS is counted as a secured asset. The cash deposited can still be used to acquire property, or could be used instead to actually repay some of the debt. If the Company repaid £12.4m of the bank facility (being the amount of borrowings where the interest rate is not fixed via the interest rate swap), and the remaining cash is included in the secured assets, the loan to value ratio would be 47% and the value of the current property portfolio would have to fall by more than 16% to reach the loan to value covenant level (55%). If the Company used all of its cash holdings to repay part of the borrowings, including crystallizing the relevant proportion of the interest rate swap liability, then the loan to value ratio would be 41%, and the value of the property portfolio would need to fall by more than 25% to reach the covenant level.



DeVille Court, Weybridge



Turin Court, South Manchester



Ocean Trade Centre, Aberdeen



Homebase, Manchester

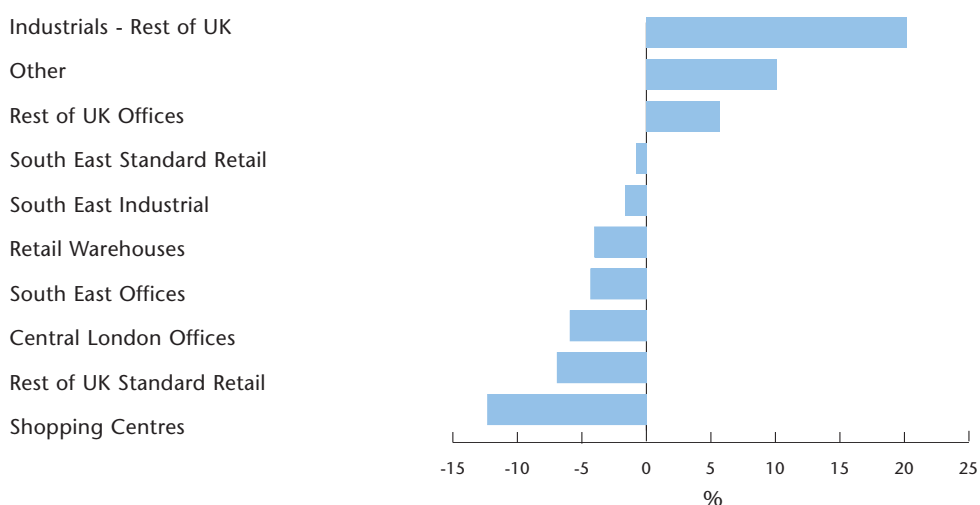
Investment Manager's Report continued

Company Strategy

During the course of 2008 the main aim of the Company was to make sure that it was in a good position to survive the downturn and emerge stronger. Now that we get closer to the bottom of the cycle the focus will change slightly to ensuring the Company is well placed to participate in the market recovery when it happens. There will undoubtedly be some great opportunities to acquire some grade A commercial property in 2009 at distressed prices. Such acquisitions will bolster the revenue account (with income yields substantially higher than the return on cash) and will also give the Company access to top quality property that will give above market returns in the recovery.

Portfolio Characteristics

Portfolio Sub Sector Weightings Relative to IPD Monthly Index at 31 December 2008

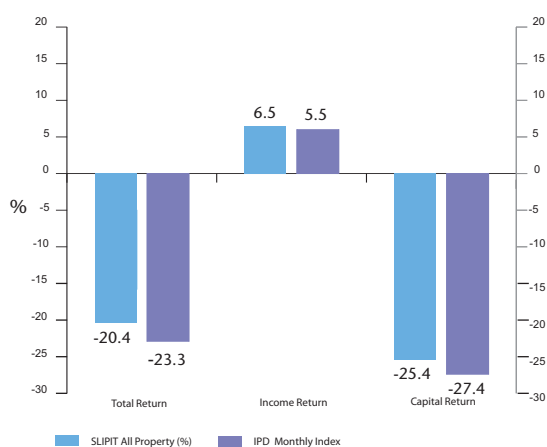


Source: Standard Life Investments, IPD

Note: 'Other' category includes leisure property at Chiselmurst and Hollywood Green in London. The latter property comprises a cinema and 5 retail units.

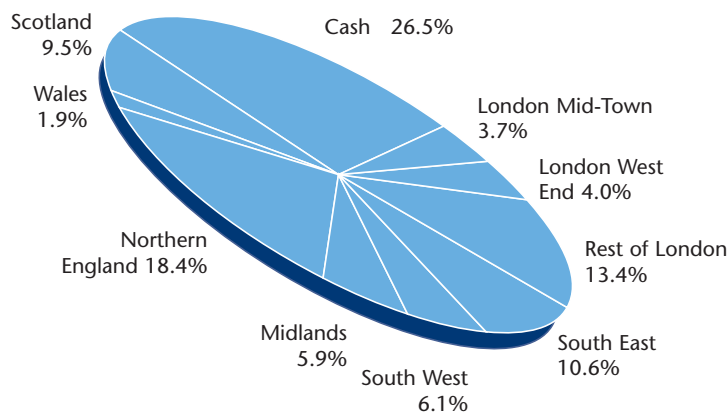
The sector weighting relative to the IPD monthly index reflects the nature of the Company – for example its size and income requirement means that it won't invest in shopping centres, but generally the Company is structured in accordance with our house view for 3 year average returns.

Performance of Property Portfolio for Year Ended 31 December 2008



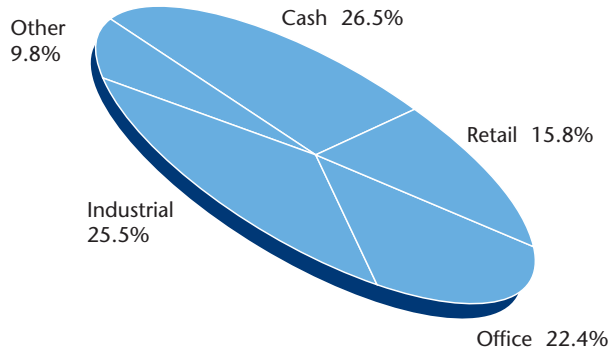
Source: Standard Life Investments, IPD

Geographic Weighting as at 31 December 2008

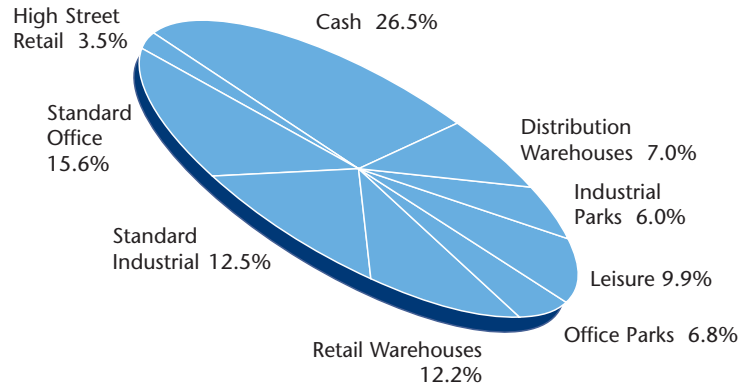


Investment Manager's Report continued

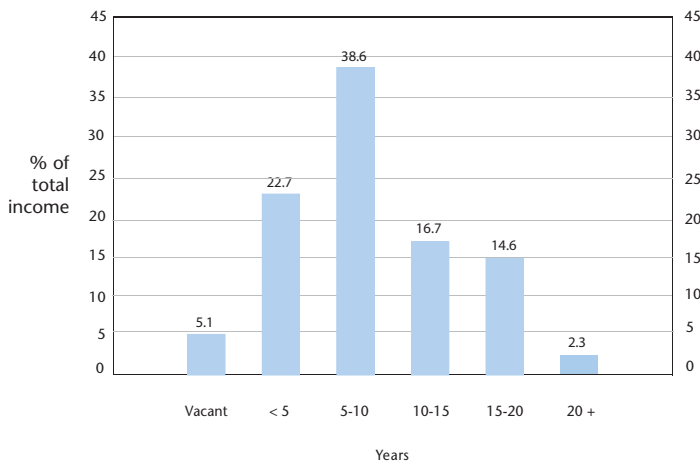
Sector Weightings as at 31 December 2008



Sub-sector Weightings as at 31 December 2008



Lease Expiry as at 31 December 2008



Source: Standard Life Investments

Table of top ten tenants and credit rating

Rank	Company Name	Risk Band**
1	Norcros Group (Holdings) Ltd	Low
2	Hoyts Cinemas (Wood Green) Ltd *	Medium-High
3	Leisure Projects Ltd	Low
4	Yusen Air & Sea Service (UK) Ltd	Low-Medium
5	DSG Retail Ltd	Negligible
6	Interfleet Technology Ltd	Low-Medium
7	King UK Ltd	Low-Medium
8	Welsh Development Agency	Negligible
9	Perry Ellis Europe Ltd	Low
10	Emcor Group (UK) plc	Low

Source: IPD IRIS Report

* The rating of Hoyts Cinemas (Wood Green) Ltd excludes consideration of the guarantee given by the company's parent

** The IPD IRIS Report assesses the risk of a catastrophic event occurring to the company based on information from Dun & Bradstreet.

Directors' Report

The Directors of Standard Life Investments Property Income Trust Limited ("the Company") and its subsidiary, Standard Life Investments Property Holdings Limited (together "the Group") present their Annual Report and Audited Financial Statements for the year ended 31 December 2008.

Background

The Company was incorporated in Guernsey on 18 November 2003 and commenced activities on 19 December 2003. The Company is a closed ended investment company and is registered under the provisions of The Companies (Guernsey) Law, 2008.

Principal Activity

The principal activity of the Company is property investment with the objective of providing Ordinary Shareholders with an attractive level of income along with the prospect of income and capital growth from investing in a diversified UK commercial property portfolio.

Listings

The Company is listed on the London Stock Exchange (primary listing) and the Channel Islands Stock Exchange (secondary listing).

Listings Requirements

The Company has complied with the relevant provisions of, and the requirements set out in, the United Kingdom Listing Authority regulations and also the relevant provisions of the Channel Islands Stock Exchange LBG Rules throughout the year under review.

Substantial Shareholdings

As at 31 December 2008, the following entities had a holding of 3% or more of the Company's issued share capital.

	% holding
Standard Life Investments	20.9
Brewin Dolphin	10.4
M&G Investment Management	7.6
Rensburg Sheppards Investment Management	6.2
Fidelity Investments	5.5
Tilney Private Wealth Management	4.1
Legal & General Investment Management	3.9

Results and Dividends

The results for the year are set out in the Consolidated Income Statement on page 20. Details of all dividends paid or payable are set out in Note 23 to the Consolidated Financial Statements.

Directors

The Directors of the Company during the year and at the date of this Report are set out on page 49.

Directors' and Other Interests

The Directors each hold the following number of ordinary shares in the Company:

David Moore	15,000
Richard Barfield	30,000
John Hallam	15,000
Shelagh Mason	15,000
Paul Orchard-Lisle	25,000

Disclosure of Information to Auditors

In the case of each of the persons who are directors at the time when the Annual Report and Consolidated Financial Statements are approved, the following applies:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Directors' Report continued

Going Concern

The factors likely to affect the Group's future development, performance and position are set out in the Investment Manager's Report on pages 5 to 10. Note 3 to the Consolidated Financial Statements includes details of the Company's exposure to financial risks including liquidity and credit risk.

Note 12 to the Consolidated Financial Statements describes the Group's bank borrowing facilities and notes the financial covenants that the Group needs to adhere to in order to avoid being in breach of the loan agreement with The Royal Bank of Scotland plc ("RBS"). Note 12 describes how the loan to value covenant is calculated, and highlights that the Group's ability to meet the covenant will be affected by the future movement in the market value of the Group's investment property. As described in the outlook section of the Investment Manager's Report on page 7, the Investment Manager expects to see further falls in the market value of UK commercial property, particularly in the first half of 2009. Note 12 also explains that the Group will be able to manage its loan to value covenant by either placing cash deposits with RBS (thereby increasing its gross secured assets) or by repaying a portion of the borrowings. If the Group was to use all of its uncommitted cash resources to repay part of the bank borrowings then the market value of investment properties would need to fall by over 25% before the Group would be unable to comply with its loan to value covenant. After taking into account the Investment Manager's house view of the property market and the characteristics of the Group's property portfolio, the Directors have a reasonable expectation that any reduction in the market value of the Group's investment property over the foreseeable future will not be so great as to prevent the Group from satisfying the loan to value covenant. In arriving at this conclusion the Directors have reviewed expected cash flow forecasts and working capital requirements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Corporate Governance

The Directors report on Corporate Governance is detailed on pages 14-17. As a company incorporated in Guernsey, the Company is not required to comply with the Combined Code on Corporate Governance (the "Code"). However, it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies. The Board believes that the Group has complied throughout the accounting period with the provisions set out in the Code, as updated by the Financial Reporting Council in June 2006, subject to the statements made in the Corporate Governance Report on pages 14-17.

Authorised Share Capital

The Board intends to propose a resolution at the forthcoming AGM which, if passed will increase the Company's authorised share capital by 285 per cent from £1,300,000 to £5,000,000 by the creation of 370,000,000 ordinary shares of 1 pence each ranking pari passu in all respects with the existing ordinary shares of 1 pence each in the capital of the Company.

In accordance with the Company's articles of association the directors are authorised to allot all of the authorised but unissued shares in the capital of the Company. As required by the Listing Rules, the Directors will only issue shares at prices which are not less than the net asset value of the ordinary shares unless such shares are first offered on a pre-emptive basis to existing shareholders or otherwise with the approval of shareholders.

The increase in the Company's authorised share capital therefore, will provide the directors with the flexibility in the future to raise additional equity should the directors believe that it would be in the best interests of the shareholders as a whole to do so.

Independent Auditors

The independent auditors, PricewaterhouseCoopers CI LLP, have indicated their willingness to continue in office, and a resolution that they will be reappointed will be proposed at the Annual General Meeting.

Resolutions Proposed at Annual General Meeting

The Directors believe that the resolutions being put to the shareholders at the AGM are in the best interests of the shareholders as a whole. Accordingly the Directors recommend all Shareholders to vote in favour of all of the resolutions to be proposed at the AGM.

Approved by the Board on 30 March 2009.

David Moore
Chairman

Statement of Directors' Responsibilities

The Directors are responsible for preparing Financial Statements for each year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non compliance with law and regulations.

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any change that may have occurred to the Financial Statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under the Disclosure and Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

- (a) the Consolidated Financial Statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Group; and
- (b) the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced.

Approved by the Board on 30 March 2009.

David Moore
Chairman

Corporate Governance Report

Combined Code

One of the foremost concerns for the Board is to ensure that a sustainable and transparent model for corporate governance is created and that this environment is controlled and developed. As a company incorporated in Guernsey, the Company is not required to comply with the Combined Code on Corporate Governance (the "Code"). However it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies. To the extent considered appropriate, the Board believes that the Company has complied throughout the accounting period with the provisions set out in the Code, as updated by the Financial Reporting Council in June 2006, subject to the following paragraphs.

The Board and Board Committees

All the Directors of the Company are Non-Executive Directors. Therefore, the Board does not feel it is appropriate to appoint a Chief Executive or Senior Independent Director.

The Chairman, David Moore, is a partner with Ozannes Advocates and Notaries Public in Guernsey ("Ozannes"). Ozannes provides Guernsey legal advice to the Company and Ozannes Securities Limited, an associated company, is the Company's Guernsey sponsor in relation to the Company's listing on the Channel Islands Stock Exchange. Mr Moore is not directly involved in the provision of the sponsorship services by Ozannes Securities Limited and refrains from participation in and voting upon any board resolutions concerning the appointment or remuneration of Ozannes and Ozannes Securities Limited. The total fees payable to Ozannes and Ozannes Securities Limited for general services provided to the Group in the year ended 31 December 2008, was £2,510 (2007: £6,900). Mr Moore is independent of the Company's Investment Manager and its professional advisers. The Directors consider that the Chairman is independent for the purposes of the Code. The Board considers that the Directors are all independent of the Investment Manager.

The full Board meets four times a year as does the Property Valuation Committee. The Audit Committee meets at least twice a year and the Management Engagement Committee once or as required. All of the Directors are members of the Audit and Property Valuation Committees, all Directors other than Richard Barfield are members of the Management Engagement Committee. The number of meetings of the full Board and those committees attended by each Director is set out below. The Management Engagement Committee, chaired by David Moore, has reviewed the appointments made by the Board including the appointments of the Investment Manager, the Administrator, the Company Secretary and the Property Valuer.

The Audit Committee reviews the Consolidated Financial Statements and considers the continuing appointment of the Independent Auditor, PricewaterhouseCoopers CI LLP. The Property Valuation Committee, chaired by David Moore, reviews the quarterly property valuation reports before their submission to the full Board.

The Board does not believe it is appropriate for the Company as an investment company with no Executive Directors, to have a Nomination Committee or a Remuneration Committee. All matters relating to the appointment to, and remuneration of, the Board are considered by the full Board. The Directors received an induction from the Investment Manager on appointment and will receive such other training as may from time to time be appropriate. All the Directors are entitled to have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Directors. The Company maintains liability insurance for its Directors and Officers although the Company has no employees and none of its Directors are Executive.

The Board has delegated day-to-day management of the Group's assets to the Investment Manager. All decisions relating to the Company's investment policy, investment objective, dividend policy, gearing, corporate governance and strategy in general are reserved to the Board.

Corporate Governance Report continued

Performance of Board and Proposal for Re-election

The performance of each Director has been appraised by his or her fellow Directors, led by the Chairman during the current year. The performance of the Chairman was appraised by his fellow Directors. The performance of each board committee was appraised by the Board as a whole. Pursuant to the Articles of Association of the Company, one third, or the number nearest to but not exceeding one third, of the Directors will retire and stand for re-election at the Annual General Meeting each year, provided that each Director shall retire and stand for re-election at intervals of no more than three years. At the Annual General Meeting held in 2008, John Hallam retired and was re-elected to the Board. At the Annual General Meeting planned for 2009, Richard Barfield will retire and be proposed for re-election. Each Director is appointed subject to the provisions of the Articles of Association in relation to retirement as described above.

	Full Board		Audit Committee		Management Engagement Committee		Property Valuation Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
David Moore	4	4	3	3	1	1	4	4
Richard Barfield	4	3	3	3	n/a	n/a	4	3
John Hallam	4	3	3	3	1	1	4	3
Shelagh Mason	4	4	3	3	1	1	4	4
Paul Orchard-Lisle	4	4	3	3	1	1	4	4

Directors Information

Biographical details of each Director are set out below.

David Moore (Chairman), aged 48, is a resident of Guernsey. He is an advocate of the Royal Court of Guernsey and is a partner with Ozannes, the Company's lawyers in Guernsey. He has been with Ozannes since 1993 and before that spent 10 years in the City of London, predominantly with Ashurst Morris Crisp. He specialises in corporate and financial matters and is a non-executive director of a number of investment or insurance management companies, investment companies and insurance companies.

Richard Barfield, aged 61, is a UK resident. Until 1996 he was the Chief Investment Manager of Standard Life. He is Chairman of The Baillie Gifford Japan Trust plc, a non-executive director of The Merchants Trust plc, The JP Morgan Fleming Overseas Investment Trust plc and The Edinburgh Investment Trust. He is also an advisor to two pension funds and a member of the Professional Oversight Board.

John Hallam, aged 60, is a resident of Guernsey. He is a chartered accountant and was managing partner of the Guernsey office of PricewaterhouseCoopers until 1999. He is chairman of Cazenove Absolute Equity Limited, Partners Group Global Opportunities Limited, Prodesse Investment Limited and a non-executive director of a number of other companies.

Shelagh Mason, aged 49, is a resident of Guernsey. She is an English property solicitor with over 25 years experience in commercial property. She was previously a senior partner of Edge & Ellison (now part of Hammonds) and was Chief Executive of Long Port Properties Limited until 2001. She is a non-executive director of a number of other companies and is also Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

Paul Orchard-Lisle, CBE, aged 70, is a UK resident. He is a chartered surveyor and until 2000 he was the senior partner of Healey & Baker. He was chairman of Slough Estates (now Segro plc) and was executive chairman of The Falcon Property Trust. He has been an advisor to the UK government on property matters and was formerly the President of The Royal Institution of Chartered Surveyors.

Corporate Governance Report continued

Remuneration of Board

Since all the Directors are non-executive, the provisions of the Code in respect of Directors' remuneration are not relevant to the Company except insofar as they relate to non-executive directors. The Directors who served during the year ended 31 December 2008 received the following emoluments in the form of fees.

There are no service contracts in existence between the Company and any Director but each of the Directors was appointed by letter of appointment which sets out the main terms of his or her appointment.

	Year to 31 December 2008
David Moore	£25,000
Richard Barfield	£18,750
John Hallam	£18,750
Shelagh Mason	£18,750
Paul Orchard-Lisle	£18,750
Total	£100,000

Going Concern

The Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements. Additional information to support this statement is included in the Directors' Report on page 12.

Investment Management Agreement

As noted above the Management Engagement Committee reviews the performance of, and contractual arrangements with, the Investment Manager on an annual basis. Under the investment management agreement between the Company and the Investment Manager, the Investment Manager is entitled to an annual fee equal to 0.85 % of the total assets of the Company, payable quarterly in arrears except where cash balances exceed 10% of total assets. The fee applicable to the amount of cash exceeding 10% of the total assets is reduced to be 0.20% per annum, payable quarterly in arrears. The Investment Manager has agreed to charge only 0.75% of the total assets of the Company until such time as the published net asset value per share returns to the launch level of 97p. This is applicable from the quarter ended 31 December 2008 onwards, and does not effect the reduced fee of 0.20% on cash holdings above 10% of total assets. The investment management agreement is terminable upon 12 months' notice (or a payment in lieu of notice equal to any unexpired portion of that 12 month period) and may be terminated summarily in certain limited circumstances. The Board has considered the appropriateness of the continuing appointment of the Investment Manager in view of the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the investment management agreement. The Board has concluded that the continuing appointment of the Investment Manager on the terms agreed is in the best interests of shareholders as a whole.

Corporate Governance Report continued

Audit and Internal Controls

The Board reviewed the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls and risk management systems and has procedures in place for the review of such controls on an annual basis. Investment management services and administration services are provided to the Company by Standard Life Investments (Corporate Funds) Limited (the Investment Manager) and Northern Trust International Fund Administration Services (Guernsey) Limited (the Administrator) respectively. The Company's system of internal control therefore is substantially reliant on the Investment Manager's and the Administrator's own internal controls. The Board has considered the AAF 01/06 internal controls report issued by the Investment Manager and similar reports issued by the Administrator. This process accords with the Turnbull guidance. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The system can only provide reasonable not absolute assurance against material misstatement or loss.

The Audit Committee meets at least twice a year and considers reports from the independent auditors, the Investment Manager and the Administrator. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's Financial Statements and appropriateness of its accounting policies, reviewing the effectiveness of the internal control systems and making recommendations to the Board regarding the appointment and independence of the external auditor and the objectivity and effectiveness of the audit process, with particular regard to the level of non-audit fees, if any. During the year, the Company's auditors were not involved in any non-audit work for the Company. Shareholders will have the opportunity at each Annual General Meeting to vote on the election of the independent auditors for the forthcoming year.

The Board has reviewed the need for an internal audit function. The Board considers that the systems and procedures put in place by the Investment Manager and the Administrator, including the internal audit activities of both, are adequate to safeguard shareholders' interests and investment and that the Company does not therefore require a separate internal audit function.

Relations with Shareholders

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Board hopes that as many shareholders as possible will be able to attend the meeting.

To promote a clear understanding of the Company, its objectives and financial results, the Board aims to ensure that information relating to the Company is disclosed in a timely manner and once published, quarterly factsheets, the interim report and annual report are available on the Company's website which can be found at www.standardlifeinvestments.co.uk/its.

The Investment Manager continues to offer individual meetings to the largest Institutional and private client manager shareholders.

Independent Auditors' Report to the Members of Standard Life Investments Property Income Trust Limited

We have audited the Consolidated Financial Statements of Standard Life Investments Property Income Trust Limited for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Consolidated Financial Statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Consolidated Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Consolidated Financial Statements.

In addition we report to you if, in our opinion, the Group has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We also, at the request of the Directors (because the Group has voluntarily applied the Listing Rules of the Financial Services Authority) review whether the Corporate Governance Statement reflects the Group's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Consolidated Financial Statements. The other information comprises only the Investment Objective and Policy, the Financial Highlights and Financial Summary, the Chairman's Statement, the Investment Manager's Report, the Directors' Report, the Statement of Directors' Responsibilities, the Corporate Governance Report, the Information for Investors, the How to Make Future Investments Statement, the Notice of AGM and the Directors and Company Information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Consolidated Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Consolidated Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Consolidated Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Consolidated Financial Statements.

Independent Auditors' Report to the Members of Standard Life Investments Property Income Trust Limited continued

Opinion

In our opinion:

- the Consolidated Financial Statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008; and
- the information given in the Directors' Report is consistent with the Consolidated Financial Statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
30 March 2009



**Consolidated Income Statement
for the year ended 31 December 2008**

	Note	2008 £	2007 £
Rental income		11,526,263	14,298,488
Unrealised loss arising on adjustment to fair value of investment properties	8	(39,982,011)	(19,149,762)
Realised loss on disposal of investment properties		(4,002,729)	(1,411,753)
Investment management fees	5	(1,485,501)	(1,963,426)
Head lease payments		(33,537)	(285,706)
Other direct property costs		(740,196)	(396,478)
Directors' fees and subsistence	28	(103,786)	(84,658)
Valuation fees	5	(31,006)	(55,073)
Auditors' fees		(41,125)	(50,000)
Other administration expenses		(238,666)	(204,314)
Operating loss		(35,132,294)	(9,302,682)
Finance costs - net			
Interest payable	6	(5,451,343)	(5,828,933)
Interest receivable		2,314,517	998,718
Loss for the year	19	(38,269,120)	(14,132,897)
Loss per share for the year attributable to the equity holders of the Company			
Basic and diluted	22	(36.80) pence	(13.59) pence

All items in the above Consolidated Income Statement derive from continuing operations.

The notes on pages 24 to 44 are an integral part of these Consolidated Financial Statements

**Consolidated Balance Sheet
as at 31 December 2008**

	Note	2008 £	2007 £
ASSETS			
Non-current assets			
Freehold investment properties	8	107,006,879	142,151,538
Leasehold investment properties	8	14,403,182	39,800,604
		<u>121,410,061</u>	<u>181,952,142</u>
Current assets			
Trade and other receivables	9	2,534,822	2,230,660
Cash and cash equivalents	10	45,089,452	35,171,457
		<u>47,624,274</u>	<u>37,402,117</u>
Total assets		<u>169,034,335</u>	<u>219,354,259</u>
EQUITY			
Capital and reserves attributable to Company's equity holders			
Share capital	17	1,040,000	1,040,000
Share premium	18	5,217,022	5,217,022
Retained earnings	19	1,717,458	2,576,775
Capital reserves	20	(36,661,539)	14,635,767
Other distributable reserves	21	93,916,114	94,371,577
Total equity		<u>65,229,055</u>	<u>117,841,141</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	84,432,692	84,432,692
Interest rate swap	13	7,575,201	262,635
Redeemable preference shares	14	8,046,510	7,591,047
Leasehold obligations	15	17,682	4,029,314
		<u>100,072,085</u>	<u>96,315,688</u>
Current liabilities			
Trade and other payables	11	3,732,695	4,912,163
Leasehold obligations	15	500	285,267
		<u>3,733,195</u>	<u>5,197,430</u>
Total liabilities		<u>103,805,280</u>	<u>101,513,118</u>
Total equity and liabilities		<u>169,034,335</u>	<u>219,354,259</u>

Approved by the Board of Directors on 30 March 2009

John Hallam
Director

David Moore
Chairman

The notes on pages 24 to 44 are an integral part of these Consolidated Financial Statements

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2007**

	Note	Share capital £	Share premium £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2007		1,040,000	5,217,022	2,748,875	35,961,779	94,801,259	139,768,935
Loss for the year		-	-	(14,132,897)	-	-	(14,132,897)
Unrealised loss arising on adjustment to fair value of investment properties	8	-	-	19,149,762	(19,149,762)	-	-
Realised loss on disposal of investment properties		-	-	1,411,753	(1,411,753)	-	-
Transfer between reserves*	14	-	-	429,682	-	(429,682)	-
Movement on revaluation of interest rate swap	13	-	-	-	(764,497)	-	(764,497)
Dividends	23	-	-	(7,030,400)	-	-	(7,030,400)
Balance at 31 December 2007		1,040,000	5,217,022	2,576,775	14,635,767	94,371,577	117,841,141

* this is a transfer to move redeemable preference share finance costs from the retained earnings reserve to the other distributable reserves.

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2008**

	Note	Share capital £	Share premium £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2008		1,040,000	5,217,022	2,576,775	14,635,767	94,371,577	117,841,141
Loss for the year		-	-	(38,269,120)	-	-	(38,269,120)
Unrealised loss arising on adjustment to fair value of investment properties	8	-	-	39,982,011	(39,982,011)	-	-
Realised loss on disposal of investment properties		-	-	4,002,729	(4,002,729)	-	-
Transfer between reserves*	14	-	-	455,463	-	(455,463)	-
Movement on revaluation of interest rate swaps	13	-	-	-	(7,312,566)	-	(7,312,566)
Dividends	23	-	-	(7,030,400)	-	-	(7,030,400)
Balance at 31 December 2008		1,040,000	5,217,022	1,717,458	(36,661,539)	93,916,114	65,229,055

* this is a transfer to move redeemable preference share finance costs from the retained earnings reserve to the other distributable reserves.

The notes on pages 24 to 44 are an integral part of these Consolidated Financial Statements

**Consolidated Cash Flow Statement
for the year ended 31 December 2008**

	Note	2008 £	2007 £
Cash flows from operating activities			
Cash generated from operations	25	7,438,723	10,221,975
Interest paid		(4,997,375)	(6,738,057)
Net cash generated from operating activities		<u>2,441,348</u>	<u>3,483,918</u>
Cash flows from investing activities			
Purchase of investment properties		(7,825,782)	-
Capital expenditure on investment properties		(84,982)	(189,200)
Retentions received relating to property purchase		110,000	-
Proceeds from disposal of investment properties	25	19,993,294	41,053,247
Interest received		2,314,517	998,718
Net cash generated from investing activities		<u>14,507,047</u>	<u>41,862,765</u>
Cash flows from financing activities			
Repayments of bank borrowings	12	-	(9,850,000)
Dividends paid to the Company's shareholders	23	(7,030,400)	(7,030,400)
Net cash used from financing activities		<u>(7,030,400)</u>	<u>(16,880,400)</u>
Net increase in cash and cash equivalents in the year		<u>9,917,995</u>	<u>28,466,283</u>
Cash and cash equivalents at beginning of year		35,171,457	6,705,174
Cash and cash equivalents at end of year	10	<u>45,089,452</u>	<u>35,171,457</u>

The notes on pages 24 to 44 are an integral part of these Consolidated Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

1 GENERAL INFORMATION

Standard Life Investments Property Income Trust Limited ("the Company") and its subsidiary (together the "Group") carries on the business of property investment through a portfolio of freehold and leasehold investment properties located in the United Kingdom. The Company is a limited liability company incorporated and domiciled in Guernsey, Channel Islands. The Company has its primary listing on the London Stock Exchange with a secondary listing on the Channel Islands Stock Exchange.

The address of the registered office is Trafalgar Court, Les Banques, St Peter Port, Guernsey.

These audited Consolidated Financial Statements were approved for issue by the Board of Directors on 30 March 2009.

2 ACCOUNTING POLICIES

Basis of preparation

The audited Consolidated Financial Statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"), and all applicable requirements of The Companies (Guernsey) Law, 2008. The audited Consolidated Financial Statements have been prepared under the historical cost convention as modified by the measurement of investment property and derivative financial instruments at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 4.

Standards, amendments and interpretations effective in 2008

IFRIC 11, 'IFRS 2 - Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-based or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's Consolidated Financial Statements

Standards, amendments and interpretations effective in 2008 but not relevant

IFRIC 12, 'Service concession arrangements', IFRIC 13 'Customer loyalty programmes' IFRIC 14 and 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IAS 1 (revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owners changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose to present one or two performance statements. The Group will apply IAS 1 (revised) from 1 January 2009.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in a cash flow hedge. The Group will apply the IAS 39 (amendment) from 1 January 2009.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but it is currently not applicable to the Group as there are no qualifying assets.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008 continued

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact of this standard is still being assessed in detail by management.

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2009). The Group will apply IFRIC 14 from 1 January 2009, but it is not expected to have any impact on the Consolidated Financial Statements.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. The Directors consider that different business segments exist for different types of investment property. The four main investment types that the Group invests in are the retail, office, industrial and other sectors.

The Directors consider that the Group operates in one geographical area, the United Kingdom.

Segmental analysis is shown in Note 26.

Basis of consolidation

The audited Consolidated Financial Statements comprise the financial statements of Standard Life Investments Property Income Trust Limited and its only material wholly owned subsidiary undertaking, Standard Life Investments Property Holdings Limited, a company with limited liability incorporated and domiciled in Guernsey, Channel Islands.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement as negative goodwill.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in pounds sterling, which is the Company's and the Group's functional and presentation currency.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008 continued

Revenue recognition

Revenue is recognised as follows;

a) Bank interest

Bank interest income is recognised on an accruals basis.

b) Rental income

Rental income from operating leases is net of sales taxes and VAT and is recognised on a straight line basis over the lease term. The cost of any lease incentives provided are recognised over the lease term, on a straight line basis as a reduction of rental income. The resulting asset is reflected as a receivable in the Consolidated Balance Sheet. The valuation of investment properties is reduced by the total of the unamortised lease incentive balances. Any remaining lease incentive balances in respect of properties disposed of are included in the calculation of the profit or loss arising at disposal.

Contingent rents, being those payments that are not fixed at the inception of the lease, for example increases arising on rent reviews, are recorded as income in periods when they are earned. Rent reviews which remain outstanding at the year end are recognised as income, based on estimates, when it is reasonable to assume that they will be received.

Surrender premiums received by the Group following the break of a lease are recognised as income to the extent that there are no obligations directly related to that surrender, for example where the payment received is directly connected to dilapidation obligations where the Group will not incur such obligations.

c) Property disposals

Where revenue is obtained by the sale of properties, it is recognised when the significant risks and returns have been transferred to the buyer. This will normally take place on exchange of contracts unless there are significant conditions attached. For conditional exchanges sales are recognised when these conditions are satisfied.

Expenditure

All expenses are accounted for on an accruals basis. The investment management and administration fees, finance (including interest on the bank facility and the finance cost of the redeemable preference shares) and all other expenses are charged through the Consolidated Income Statement as and when incurred. Costs incurred directly in the arranging of new leases and those paid or incurred in renegotiating an existing lease to amend its terms are capitalised and amortised over the average lease length on the property. Incentives paid to new tenants are amortised over the length of the lease being agreed. Surrender premiums paid to tenants or incurred by the Group following the break of a lease are recognised immediately in the Consolidated Income Statement.

Taxation

The Company and its wholly owned Guernsey registered subsidiary, Standard Life Investments Property Holdings Limited, have obtained exempt company status in Guernsey so that they are exempt from Guernsey taxation on income arising outside Guernsey and bank interest arising in Guernsey. Each Company is, therefore, only liable to an annual exemption fee of £600.

With effect from 1 January 2008 the exempt company regime was, for the most part, abolished and the standard rate of income tax in Guernsey moved from 20% to 0%, however Collective Investment Schemes remain eligible to apply for exemption status. The Directors intend to conduct the Group's affairs such that the Company and its Guernsey registered subsidiary continue to remain eligible for exemption.

No charge to Guernsey taxation will arise on capital gains derived from the disposal of the investment properties.

Standard Life Investment Property Holdings Limited is subject to United Kingdom income tax on assessable income arising from the United Kingdom investment properties held.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008 continued

Deferred income tax

A 'blended' approach is taken when estimating the amount of deferred income tax arising from the temporary difference between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. This blended approach involves assessing the expected manner of recovery of this temporary difference. The depreciable amount of the temporary difference is treated as recoverable through use of the asset and the residual value element of the temporary difference is treated as recoverable through disposal of the asset. Recovery through use of the asset implies the appropriate tax rate is the income tax rate applicable to the Group's Schedule A business whereas recovery through disposal of the asset implies the appropriate tax rate is the capital gains tax rate applicable to the Group.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Freehold investment properties

Freehold investment properties are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the acquisition of the investment property. After initial recognition, freehold investment properties are measured at fair value, with movements in value recognised as unrealised gains and losses in the Consolidated Income Statement. Fair value is based upon the market valuations of the properties as provided by Jones Lang LaSalle Limited, a firm of independent chartered surveyors, at the balance sheet date, suitably adjusted to account for unamortised tenant lease incentives.

Leasehold investment properties

Leasehold investment properties held which meet the criteria of an investment property as defined by IAS 40 but held by the Group under a finance lease, are initially recognised at cost, being the fair value of the consideration given together with the discounted present value of all minimum lease payments (ie. head lease payments). After initial recognition, leasehold investment properties are measured at market value with movements in value recognised as unrealised gains and losses in the Consolidated Income Statement. Fair value as disclosed in the Consolidated Financial Statements is based on the market valuations of the properties as provided by Jones Lang LaSalle Limited, a firm of independent chartered surveyors, as at the balance sheet date as suitably adjusted for unamortised tenant incentives and the discounted present value of minimum lease payments.

Property acquisitions

Acquisitions of investment properties are considered to have taken place on exchange of contracts unless there are significant conditions attached. For conditional property exchanges acquisitions are recognised only when these conditions are satisfied.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account, and the amount of the loss is recognised in the Consolidated Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Consolidated Income Statement.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008 continued

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and other short-term highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation and the amounts are capable of being reliably estimated.

Share capital

Ordinary shares are classified as equity. Preference shares, which are redeemable on a specific date, are classified as liabilities.

Dividends

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's Consolidated Financial Statements in the year in which the dividends are approved by the Board of Directors. The redeemable preference shareholders are not entitled to payment of any dividends.

Borrowings and interest expense

All loans and borrowings are initially recognised at the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Borrowing costs are recognised within finance costs in the Consolidated Income Statement as incurred. Finance costs relating to the redeemable preference shares are recognised in the Consolidated Income Statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated cash payments throughout the expected life of the redeemable preference shares to the net carrying value of the financial liability. The effective interest rate is 6% per annum in respect of the redeemable preference shares.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised as gains or losses in equity. The gains or losses relating to the ineffective portion are recognised immediately in the Consolidated Income Statement.

The fair value of derivative financial instruments used for hedging purposes is discussed in Note 13. Movements on the hedging reserve in shareholders' equity are shown in the capital reserves as per Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within "Other gains/(losses) – net".

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to various financial risks: credit risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) and liquidity risk. The financial risks relate to the financial instruments set out by category in the following table:

As at 31 December 2008	Loans and receivables £	Derivatives used for hedging £	Other financial liabilities at amortised cost £
Financial Assets			
Cash and cash equivalents	45,089,452	-	-
Trade and other receivables	2,534,822	-	-
Financial Liabilities			
Bank borrowings	-	-	84,432,692
Redeemable preference shares	-	-	8,046,510
Interest rate swaps	-	7,575,201	-
Finance lease obligations	-	-	18,182
Trade and other payables	-	-	1,490,878

As at 31 December 2007	Loans and receivables £	Derivatives used for hedging £	Other financial liabilities at amortised cost £
Financial Assets			
Cash and cash equivalents	35,171,457	-	-
Trade and other receivables	2,230,660	-	-
Financial Liabilities			
Bank borrowings	-	-	84,432,692
Redeemable preference shares	-	-	7,591,047
Interest rate swap	-	262,635	-
Finance lease obligations	-	-	4,314,581
Trade and other payables	-	-	2,197,880

The Group's policy for managing the risks associated with these financial instruments is set out below.

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional related costs. The Investment Manager regularly reviews reports produced by Dun and Bradstreet and other sources to be able to assess the credit worthiness of the Group's tenants and aims to ensure that there are no excessive concentrations of credit risk and that the impact of default by a tenant is minimised. In addition to this, the terms of the Group's bank borrowings require that the largest tenant accounts for less than 20% of the Group's total rental income, that the five largest tenants account for less than 50% of the Group's total rental income and that the ten largest tenants account for less than 75% of the Group's total rental income. The maximum credit risk from the tenant arrears of the Group at the financial year end was £681,888 (2007: £1,072,308).

Notes to the Consolidated Financial Statements for the year ended 31 December 2008 continued

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty bank or investment fund with a maximum exposure equal to the carrying value of these instruments. As at 31 December 2008 £30,610,098 (2007: nil) was placed on deposit with The Royal Bank of Scotland plc ("RBS"), £9,800,976 (2007: £30,971,442) was invested with Standard Life Investments (Global Liquidity Funds) plc and £4,057,928 (£2007: 3,576,904) was held with Citibank. Standard Life Investments (Global Liquidity Funds) plc is a liquidity fund rated Aaa by Moody's and provides instant access to funds. As described in Note 12, the purpose of the deposits placed with RBS is to increase the amount of assets qualifying as secured assets when determining the loan to value percentage as defined in the loan agreement with RBS. The credit risk associated with the cash deposits placed with RBS is mitigated by virtue of the Group having a right to off-set the balance deposited against the amount borrowed from RBS should RBS be unable to return the deposits for any reason.

Currency risk

The Group is not exposed to foreign currency risk.

Price risk

The Group is not exposed to market price risk with respect to financial instruments.

Cash flow and fair value interest rate risk

As described above the Group invests cash balances with Standard Life Investments (Global Liquidity Funds) plc, RBS and Citibank. These investments expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest. There is considered to be no fair value interest rate risk in respect of these deposits.

The bank borrowings as described in Note 12 also expose the Group to cash flow interest rate risk. The Group's policy is to manage its cash flow interest rate risk using interest rate swaps, in which the Group has agreed to exchange the difference between fixed and floating interest amounts based on a notional principal amount (see Note 12). The Group has floating rate borrowings of £84,432,692, £72,000,000 of which has been fixed via its interest rate swaps, with the result that £12,432,692 of its borrowings remain subject to movement in market interest rates and to cash flow interest rate risk.

The bank borrowings are carried at amortised cost and the Group considers this to be a close approximation to fair value. The fair value of the bank borrowings is not affected by changes in the market interest rate. The fair value of the interest rate swaps is however exposed to changes in the market interest rate as their fair value is calculated as the present value of the estimated future cash flows under the agreements. The accounting policy for recognising the fair value movements in the interest rate swaps is described in Note 2.

The redeemable preference shares are carried in the financial statements at amortised cost, representing a redemption yield of 6% (see Note 14). This carrying value is considered by the Group to be a close approximation to fair value.

Trade and other receivables and trade and other payables are interest free and have settlement dates within one year.

At 31 December 2008, if market rate interest rates had been 100 basis points higher/lower with all other variables held constant, the loss for the year would have been £320,363 (2007: £221,157 lower/higher) lower/higher as a result of the higher/lower interest income on cash and cash equivalents as compensated by a higher/lower interest expense on unhedged floating rate bank borrowings. The Capital Reserve would have been £3,326,338 higher / £3,508,561 lower (2007: £3,377,532 higher / £3,597,791 lower) as a result of an increase/decrease in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

The following table sets out the carrying amount of the Group's financial instruments to which an interest rate applies:

As at 31 December 2008

	Fixed rate £	Variable rate £	Weighted average interest rate
Cash and cash equivalents - RBS 3 month deposit - 5 November 2008	9,000,000		5.450%
Cash and cash equivalents - RBS 3 month deposit - 24 December 2008	2,229,000		2.680%
Cash and cash equivalents - RBS 3 month deposit - 30 December 2008	19,300,000		2.580%
Cash and cash equivalents - Other		14,560,452	5.170%
Bank borrowings	72,000,000	-	5.715%
Bank borrowings	-	12,432,692	6.691%
Redeemable preference shares	8,046,510	-	6.000%

As at 31 December 2007

	Fixed rate £	Variable rate £	Weighted average interest rate
Cash and cash equivalents	-	35,171,457	5.040%
Bank borrowings	72,000,000	-	5.715%
Bank borrowings	-	12,432,692	6.541%
Redeemable preference shares	7,591,047	-	6.000%

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments as and when they fall due. The investment property in which the Group invests is not traded in an organised public market and therefore is illiquid. As a result, the Group may not be able to liquidate its investment property quickly at an amount close to their fair value in order to meet liquidity requirements.

The following table sets out the maturities of financial instruments held by the Group based on the remaining period at the balance sheet date to the contractual maturity date:

	2008 £	2007 £
Financial assets - current		
Trade receivables - maturity within one year	2,534,822	2,230,660
Cash and cash equivalents - maturity within one year - deposited with RBS	30,610,098	-
Cash and cash equivalents - maturity within one year - other deposits	14,479,354	35,171,457
	<u>47,624,274</u>	<u>37,402,117</u>
Financial liabilities - non-current		
Bank borrowings - maturity between 2 to 5 years	84,432,692	84,432,692
Redeemable preference shares - maturity between 2 to 5 years	8,046,510	7,591,047
Interest rate swaps - maturity between 2 to 5 years	7,575,201	262,635
	<u>100,054,403</u>	<u>92,286,374</u>
Finance lease liabilities		
Maturity between 1 and 2 years	487	267,580
Maturity between 2 and 5 years	1,383	707,211
Maturity over 5 years	15,812	3,054,523
	<u>17,682</u>	<u>4,029,314</u>
Financial liabilities - current		
Trade and other payables - maturity within one year	1,490,878	2,197,880
Finance lease liabilities - maturity within one year	500	285,267
	<u>1,491,378</u>	<u>2,483,147</u>

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

The Group's liquidity position is regularly monitored by management and is reviewed quarterly by the Board of Directors. The liquidity of the Group is affected by the way in which the Group's loan to value covenant is managed (see Note 12). Cash and cash equivalents placed with RBS in order to comply with the loan to value covenant will be used to meet liabilities which result in the reduction of bank borrowings with RBS or in the acquisition of a secured asset as defined in the Group's loan agreement with RBS.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or use existing cash held to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and redeemable preference shares as shown in the Consolidated Balance Sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the Consolidated Balance Sheet, plus net debt.

The gearing ratios at 31 December 2008 and at 31 December 2007 were as follows:

	2008	2007
	£	£
Total borrowings	92,479,202	92,023,739
Less: cash and cash equivalents (excluding rent deposit balances)	(44,469,002)	(34,548,346)
Net debt	48,010,200	57,475,393
Total equity	65,229,055	117,841,141
Total capital	113,239,255	175,316,534
Gearing ratio	42%	33%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of investment properties

In determining the fair value of its investment properties the Group uses the market value for existing use as provided by its appointed independent valuer Jones Lang LaSalle Limited on a quarterly basis. The valuation of investment property is inherently difficult due to the individual nature and circumstance of each property. Valuations will not necessarily reflect the actual sales price, even if a sale were to occur shortly after the valuation date. The valuation provided at 31 December 2008 is also subject to higher than normal levels of uncertainty as a result of the continued turmoil and instability in the financial markets. There are low levels of liquidity in the UK real estate market and transaction levels are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. This, combined with a weakening of sentiment towards UK real estate, has resulted in a continual reappraisal of UK commercial property prices. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. As a result there is less certainty with regard to valuations with the result that market values can change rapidly in the current market conditions. The Directors are of the opinion that the investment properties have been disclosed in the Consolidated Financial Statements at their fair value as at 31 December 2008.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

5 FEES

Investment management fees

On 19 December 2003 Standard Life Investments (Corporate Funds) Limited ("the Investment Manager") was appointed as Investment Manager to manage the property assets of the Group.

Under the terms of the Investment Management Agreement the Investment Manager is entitled to receive a fee at the annual rate of 0.85% of the total assets, payable quarterly in arrears. On 1 July 2008 a supplemental agreement to the Investment Management Agreement was put in place to amend the fee basis to be 0.85% per annum of the total assets except where cash balances exceed 10% of total assets. The fee applicable to the amount of cash exceeding 10% of total assets is altered to be 0.20% per annum, payable quarterly in arrears. The Investment Manager has also agreed to reduce its charge to 0.75% of the total assets of the Group until such time as the net asset value per share returns to the launch level of 97p. This is applicable from the quarter ended 31 December 2008 onwards and does not affect the reduced fee of 0.20% on cash holdings above 10% of total assets. The total fees charged for the year ended 31 December 2008 amounted to £1,485,501 (2007: £1,963,426). The amount due and payable at the year end amounted to £274,175 excluding VAT (2007: £523,515 excluding VAT).

Administration, secretarial and registrar fees

On 19 December 2003 Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust") was appointed administrator, secretary and registrar to the Group. Northern Trust is entitled to an annual fee, payable quarterly in arrears, of £65,000. Northern Trust is also entitled to reimbursement of reasonable out of pocket expenses. Total fees charged for the year ended 31 December 2008 amounted to £82,664 (2007: £74,399). The amount due and payable at the year end amounted to £16,250 excluding VAT (2007: £21,371 excluding VAT).

Valuation fees

On 4 December 2007, Jones Lang LaSalle Limited ("the Valuer"), Chartered Surveyors, was appointed as valuer in respect of the assets comprising the property portfolio. The Valuer is entitled to an annual fee of 0.017% of the average portfolio value calculated over the preceding quarter and a start up fee of 0.0225% of the value of each property added to the portfolio. The total valuation fees charged for the year ended 31 December 2008 amounted to £31,006 (2007: £55,073). The amount due and payable at the year end amounted to £5,690 excluding VAT (2007: £7,573 excluding VAT).

6 INTEREST PAYABLE

	2008	2007
	£	£
Interest payable in relation to redeemable preference shares	455,463	429,682
Other interest payable	4,995,880	5,399,251
	<u>5,451,343</u>	<u>5,828,933</u>

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

7 TAXATION

Current income tax

A reconciliation of the income tax charge applicable to the loss from ordinary activities at the UK statutory income tax rate to the income tax charged in the Consolidated Income Statement for the year is as follows:

	2008	2007
	£	£
Loss before income tax	(38,269,120)	(14,132,897)
Tax calculated at UK statutory income tax rate of 20% (2007: 22%)	(7,653,824)	(3,109,237)
Losses arising on investment property not subject to tax	8,784,153	4,523,533
Holding company profits not subject to tax	(1,171,565)	(1,258,729)
Income not subject to tax	(484,147)	(222,288)
Expenditure not allowed for income tax purposes	15,400	3,499
Capital and other allowances	(311,173)	(491,143)
Tax loss not utilised	821,157	554,365
Current income tax charge	<u>-</u>	<u>-</u>

Deferred tax

	2008	2007
	£	£
Unrealised gain to be recovered through use of asset	-	834,156
Accumulated Schedule A loss at 31 December	(11,509,918)	(7,463,154)
Taxable unrealised gain after utilised Schedule A losses	<u>-</u>	<u>-</u>

At the balance sheet date provision has been made for deferred tax on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, in accordance with the accounting policy detailed above in Note 2.

8 FREEHOLD AND LEASEHOLD INVESTMENT PROPERTIES

	2008	2008	2008
	Freehold	Leasehold	Total
	£	£	£
Market value as at 31 December 2007	142,650,000	35,550,000	178,200,000
Capital expenditure and property additions	(93,430)	7,825,782	7,732,352
Carrying value of disposed investment properties	(160,000)	(23,836,023)	(23,996,023)
Unrealised loss arising on adjustment to fair value of investment properties	(34,891,229)	(5,090,782)	(39,982,011)
Movement in lease incentive debtor	1,089,659	(63,977)	1,025,682
Market value at 31 December 2008	<u>108,595,000</u>	<u>14,385,000</u>	<u>122,980,000</u>
Adjustment for lease incentives	(1,588,121)	-	(1,588,121)
Discounted present value of minimum lease payments	-	18,182	18,182
Fair value at 31 December 2008	<u>107,006,879</u>	<u>14,403,182</u>	<u>121,410,061</u>

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

	2007 Freehold £	2007 Leasehold £	2007 Total £
Market value as at 31 December 2006	196,165,000	43,190,000	239,355,000
Capital expenditure and property additions	176,339	3,650	179,989
Carrying value of disposed investment properties	(38,755,000)	(3,710,000)	(42,465,000)
Unrealised loss arising on adjustment to fair value of investment properties	(15,185,665)	(3,964,097)	(19,149,762)
Movement in lease incentive debtor	249,326	30,447	279,773
Market value at 31 December 2007	<u>142,650,000</u>	<u>35,550,000</u>	<u>178,200,000</u>
Adjustment for lease incentives	(498,462)	(63,977)	(562,439)
Discounted present value of minimum lease payments	-	4,314,581	4,314,581
Fair value at 31 December 2007	<u>142,151,538</u>	<u>39,800,604</u>	<u>181,952,142</u>

Investment properties were revalued at the year end by Jones Lang LaSalle Limited, Chartered Surveyors on the basis of the market value for existing use. In accordance with the accounting policy in Note 2, the market values of leasehold investment properties have been adjusted to reflect the discounted present value of minimum lease payments to reflect their fair value in accordance with IFRS. The market value for existing use provided by Jones Lang LaSalle Limited at the year end was £122,980,000 (2007: £178,200,000) however an adjustment has been made for lease incentives of £1,588,121 (2007: £562,439) that are already accounted for. The market values provided by Jones Lang LaSalle Limited are subject to the uncertainties in the real estate market referred to in Note 4.

9 TRADE AND OTHER RECEIVABLES

	2008 £	2007 £
Trade receivables	780,527	1,114,361
Less: provision for impairment of trade receivables	(98,639)	(42,053)
Trade receivables (net)	<u>681,888</u>	<u>1,072,308</u>
Other receivables	1,852,934	1,158,352
Total trade and other receivables	<u>2,534,822</u>	<u>2,230,660</u>

The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts.

The trade receivables above relate to rental income receivable from tenants of the investment properties. When a new lease is agreed with a tenant the Investment Manager performs various money laundering checks and makes a financial assessment to determine the tenant's ability to fulfil its obligations under the lease agreement for the foreseeable future. The majority of tenants are invoiced for rental income quarterly in advance and will be issued with invoices at least 21 days before the relevant quarter starts. Invoices become due on the first day of the quarter and are considered past due if payment is not received by this date. Other receivables are considered past due when the given terms of credit expire.

Amounts are considered impaired when it becomes unlikely that the full value of a receivable will be recovered. Movement in the balance considered to be impaired has been included in other direct property costs in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

As of 31 December 2008, trade receivables of £98,639 (2007: £42,053) were impaired and provided for. The ageing of these receivables is as follows:

	2008 £	2007 £
0 to 3 months	38,476	-
3 to 6 months	60,163	26,257
Over 6 months	-	15,796
	98,639	42,053

As of 31 December 2008, trade receivables of £681,888 (2007: £1,072,308) were past due but not impaired. The ageing of these receivables is as follows:

	2008 £	2007 £
0 to 3 months	681,888	1,072,308

10 CASH AND CASH EQUIVALENTS

	2008 £	2007 £
Cash held at bank	4,057,928	3,576,904
Cash held on deposit with RBS	30,610,098	-
Cash invested in Standard Life Investments (Global Liquidity Funds) plc	9,800,976	30,971,442
Rental deposits held on behalf of tenants	620,450	623,111
	45,089,452	35,171,457

£9,000,000 was placed on deposit with RBS on 5 November 2008 for a fixed period of 3 months and will provide a return of 5.45% per annum. £2,229,000 was placed on deposit with RBS on 24 December 2008 for a fixed period of 3 months and will provide a return of 2.68% per annum. £19,300,000 was placed on deposit with RBS on 30 December 2008 for a fixed period of 3 months and will provide a return of 2.58% per annum.

As described in Note 12, cash was deposited with RBS during the year in order to satisfy the loan to value covenant that the Group is required to meet under its bank borrowing obligations.

For details of cash invested in Standard Life Investments (Global Liquidity Funds) plc see Note 28.

Cash held on behalf of tenants as a rental deposit is restricted and available to the Group only in the event of a tenant's default on their rental income obligation.

11 TRADE AND OTHER PAYABLES

	2008 £	2007 £
Trade payables	274,175	523,515
Rental deposits due to tenants	620,450	623,111
Other payables	372,870	454,842
Interest payable on bank borrowings	-	1,495
VAT payable	198,562	501,684
Deferred rental income	2,241,817	2,714,283
Retentions relating to property purchase	24,821	93,233
	3,732,695	4,912,163

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

12 BANK BORROWINGS

	2008 £	2007 £
Loan facility	84,432,692	89,432,692
Opening bank borrowings drawn down	84,432,692	94,282,692
Amounts repaid during year	-	(9,850,000)
Closing bank borrowings drawn down	84,432,692	84,432,692

On 19 July 2006 the Company entered into an amended and restated loan agreement (amending the agreement dated 4 December 2003) with RBS. The facility made available to the Company is in two Tranche's - Tranche A and Tranche B. Tranche A is a term loan facility up to the amount of £84,432,692 and is repayable on 29 December 2013. Tranche B was a revolving credit facility up to the value of £5,000,000 which expired in July 2008.

Interest is payable on Tranche A at a rate equal to the aggregate of LIBOR, a margin of 0.6% per annum and the lender's mandatory costs rate of approximately 0.01%. The all in interest rate on the loan drawn down at the balance sheet date was 2.7500% (2007: 6.6117%). During the year to 31 December 2008 the LIBOR rate used was the 3 month rate, from 1 January 2009 the 1 month LIBOR rate will be used. As described in Note 13, £72m of the loan facility is hedged via interest rate swaps which result in the interest rate being a fixed rate of 5.7150% for the £72m portion of the loan (fixed rate of 5.115% plus margin of 0.6%).

Under the terms of the loan facility there are certain events which would entitle RBS to terminate the loan facility and demand repayment of all sums due. Included in these events of default is the financial undertaking relating to the loan to value percentage. The loan agreement notes that the loan to value percentage is calculated as the Loan Amount divided by the Gross Secured Assets Value, and that this percentage should not exceed 55% at any time. The loan to value percentage is to be calculated upon the acquisition of a new property and quarterly with reference to that quarter's investment property valuation. The Loan Amount is defined as the amount of loan advances received by the Group and not repaid at the calculation date. The Gross Secured Assets Value is defined as the value of the Group's investment properties (as per the most recent valuation) plus any cash balances placed with RBS. The Group can therefore manage its obligations regarding the loan to value covenant by placing cash deposits with RBS and thereby increasing the Gross Secured Assets Value or by repaying the Loan Amount. As at 31 December 2008 the Group's loan to value percentage as per the RBS term loan facility was as follows:

	2008 £	2007 £
Loan Amount	84,432,692	84,432,692
Investment property valuation	122,980,000	178,200,000
Cash held on deposit with RBS	30,610,098	-
Gross Secured Assets Value	153,590,098	178,200,000
Loan to value percentage	55%	47%

Other loan covenants that the Group is obliged to meet include the following:

- that the projected net rental income is not less than 170% of the projected finance costs for any three month period
- that the largest single asset accounts for less than 15% of the Group's total portfolio valuation
- that sector weightings are restricted to 55%, 45% and 45% for the Office, Retail and Industrial sectors respectively
- that the largest tenant accounts for less than 20% of the Group's total rental income
- that the five largest tenants account for less than 50% of the Group's total rental income
- that the ten largest tenants account for less than 75% of the Group's total rental income

All of the above covenants are being satisfied by the Group as at 31 December 2008.

The loan facility is secured by fixed and floating charges over the assets of the Company and its wholly owned subsidiary, Standard Life Investments Property Holdings Limited.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

The carrying value of the bank borrowings noted above is considered to be a close approximation to fair value and is deemed by the directors to be the fair value.

13 INTEREST RATE SWAPS

The Company has two interest rate swap agreements with RBS. The first swap agreement was entered into on 29 December 2004 and has an end date of 29 December 2013. Under this first swap the Company has agreed to receive a floating interest rate linked to 3 month Libor and pay a fixed interest rate of 5.115%. The second swap agreement was entered into on 19 December 2008 and has a start date of 1 January 2009 and an end date of 29 December 2013. Under this second swap the Company has agreed to pay a floating interest rate linked to 3 month Libor and receive a floating interest rate linked to 1 month Libor plus a margin of 0.1%. Both agreements are for a notional principal amount of £72,000,000. These swap agreements together qualify as an effective cash flow hedge and fair value changes are taken to equity. The effective interest rate of the combined swap agreements will be 5.015%. The effective interest rate for 2008 was 5.115% (2007 : 5.115%).

	2008 £	2007 £
Opening fair value of derivative financial instruments at 1 January	(262,635)	501,862
Movement in revaluation of interest rate swaps	(7,312,566)	(764,497)
Closing fair value of derivative financial instruments at 31 December	<u>(7,575,201)</u>	<u>(262,635)</u>

14 REDEEMABLE PREFERENCE SHARES

The Company issued 6,000,000 25p redeemable zero dividend preference shares ("redeemable preference shares") at a value of £1 on 19 December 2003. The redeemable preference shares will be redeemed by the Company on the tenth anniversary of admission at a redemption price of £1.7908. The redeemable preference shares cannot be redeemed earlier. The redemption price represents a redemption yield of 6% per annum on the issue price of £1.

	2008 £	2007 £
Proceeds from issue of redeemable preference shares	6,000,000	6,000,000
Accrued finance cost charged to Consolidated Income Statement for the year	455,463	429,682
Accrued finance cost charged to Consolidated Income Statement in previous periods	1,591,047	1,161,365
Closing liability to redeemable preference shareholders	<u>8,046,510</u>	<u>7,591,047</u>

As a return of capital and in accordance with the articles of the Company, the holders of the redeemable preference shares are entitled to the payment of 25p per share increased at the rate of 21.8% per annum compounded daily from the date of admission up to the tenth anniversary of admission.

The carrying value noted above is considered to be a close approximation to fair value and is deemed by the Directors to be the fair value.

15 LEASEHOLD OBLIGATIONS

At 31 December 2008 the Group owned four leasehold properties at a market value for existing use of £14,385,000 (2007: five properties at a market value for existing use of £35,550,000) as valued by the independent valuers Jones Lang LaSalle Limited. In accordance with the accounting policy for leasehold investment property to be carried at fair valuation, an adjustment is required to reflect the discounted present value of the minimum lease payments.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

	2008 £	2007 £
Leasehold obligations due:		
Less than one year	500	285,267
Between one and five years	1,870	974,791
Over five years	15,812	3,054,523
Total due after one year	17,682	4,029,314
Total present value of minimum lease payments	<u>18,182</u>	<u>4,314,581</u>

16 LESSOR ANALYSIS

Lessor length

At the year end the total contractually agreed rental income based on the leases in operation is as follows:

	2008 £	2007 £
Less than one year	9,827,434	12,158,260
Between one and five years	38,297,903	42,229,586
Over five years	41,366,164	69,005,983
Total due after one year	79,664,067	111,235,569
Total	<u>89,491,501</u>	<u>123,393,829</u>

The largest single tenant at the year end accounts for 6.51% (2007: 9.84%) of the current annual passing rent.

17 SHARE CAPITAL

Authorised

130,000,000 ordinary shares of 1p each

2008 £	2007 £
<u>1,300,000</u>	<u>1,300,000</u>

Allotted, called up and fully paid:

104,000,000 (2007: 104,000,000) ordinary shares of 1p each

<u>1,040,000</u>	<u>1,040,000</u>
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18 SHARE PREMIUM

Opening / closing balance

2008 £	2007 £
<u>5,217,022</u>	<u>5,217,022</u>

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

19 RETAINED EARNINGS	2008	2007
	£	£
Opening balance	2,576,775	2,748,875
Loss for the year	(38,269,120)	(14,132,897)
Transfer from other distributable reserves (see Note 21)	455,463	429,682
Unrealised loss arising on adjustment to fair value of investment properties transferred to capital reserves	39,982,011	19,149,762
Realised loss on disposal of investment properties transferred to capital reserves	4,002,729	1,411,753
Dividends paid	(7,030,400)	(7,030,400)
Closing balance	<u>1,717,458</u>	<u>2,576,775</u>

This is a distributable reserve.

20 CAPITAL RESERVES	2008	2007
	£	£
Opening balance	14,635,767	35,961,779
Movement in revaluation of interest rate swap	(7,312,566)	(764,497)
Unrealised loss arising on adjustment to fair value of investment properties	(39,982,011)	(19,149,762)
Realised loss on disposal of investment properties	(4,002,729)	(1,411,753)
Closing balance	<u>(36,661,539)</u>	<u>14,635,767</u>

21 OTHER DISTRIBUTABLE RESERVES	2008	2007
	£	£
Opening balance	94,371,577	94,801,259
Transfer to retained earnings*	(455,463)	(429,682)
Closing balance	<u>93,916,114</u>	<u>94,371,577</u>

* this is a transfer to move redeemable preference share finance costs from the retained earnings reserve to the other distributable reserve

22 LOSS PER SHARE

Basic and diluted loss per ordinary share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares issued in the year.

	2008	2007
Loss for the year	£ (38,269,120)	£ (14,132,897)
Ordinary shares issued	104,000,000	104,000,000
Loss per ordinary share (pence)	<u>(36.80)</u>	<u>(13.59)</u>

There is no difference between the basic loss per ordinary share and the diluted loss per ordinary share.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

23 DIVIDENDS

The interim dividends paid to date in 2008 are as follows (2007: £7,030,400) :

£1,757,600 (1.69p per ordinary share) paid in February relating to the quarter ending 31 December 2007
 £1,757,600 (1.69p per ordinary share) paid in May relating to the quarter ending 31 March 2008
 £1,757,600 (1.69p per ordinary share) paid in August relating to the quarter ending 30 June 2008
 £1,757,600 (1.69p per ordinary share) paid in December relating to the quarter ending 30 September 2008
£7,030,400

A further dividend of £1,040,000 (2007: £1,757,600) in respect of the quarter to 31 December 2008 has been approved and was paid in February 2009.

These consolidated financial statements do not reflect this dividend, however, the published net asset value as at 31 December 2008 does.

24 RECONCILIATION OF CONSOLIDATED NET ASSET VALUE TO PUBLISHED NET ASSET VALUE

The net asset value attributable to Ordinary Shares is published quarterly and is based on the most recent valuation of the investment properties and calculated on a basis which adjusts the underlying reported IFRS numbers. The adjustment made is to include a provision for payment of a dividend in respect of the quarter then ended.

	2008	2007
	£	£
Total equity per audited consolidated financial statements	65,229,055	117,841,141
Adjustments:		
Dividend in respect of the quarter ending 31 December	(1,040,000)	(1,757,600)
Published net asset value	<u>64,189,055</u>	<u>116,083,541</u>

25 CASH GENERATED FROM OPERATIONS

	2008	2007
	£	£
Loss for the year	(38,269,120)	(14,132,897)
Movement in trade and other receivables	(304,162)	13,541
Movement in trade and other payables	(1,109,561)	(1,050,399)
Interest payable	5,451,343	5,828,933
Interest receivable	(2,314,517)	(998,718)
Unrealised loss arising on adjustment to fair value of investment properties	39,982,011	19,149,762
Realised loss on disposal of investment properties	4,002,729	1,411,753
Cash generated from operations	<u>7,438,723</u>	<u>10,221,975</u>

In the Consolidated Cash Flow Statement, proceeds from sale of investment properties comprise:

Carrying value of disposed investment properties (Note 8)	23,996,023	42,465,000
Realised loss on disposal of investment properties	(4,002,729)	(1,411,753)
Proceeds from disposal of investment properties	<u>19,993,294</u>	<u>41,053,247</u>

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

26 SEGMENTAL REPORTING

The Group is organised into four main business segments determined in accordance with the type of investment property:

- Retail - mainly shops and retail warehouse parks
- Office - mainly in large cities
- Industrial - distribution warehouses and industrial units
- Other - leisure centres and cinema complexes

Segmental analysis by business segment

2008	Retail £	Office £	Industrial £	Other £	Total £
Rental income	2,461,524	3,570,863	4,050,117	1,315,805	11,526,263
Unrealised loss arising on adjustment to fair value of investment properties	(11,497,082)	(13,032,617)	(10,832,312)	(4,600,000)	(39,982,011)
Realised loss on disposal of investment properties	-	(503,884)	(3,498,845)	-	(4,002,729)
Property related expenditure	(220,662)	(215,284)	(306,528)	(62,265)	(804,739)
Segment result	(9,256,220)	(10,072,968)	(10,587,568)	(3,346,460)	(33,263,216)
Non-property related expenditure					(1,869,078)
Operating loss					(35,132,294)
Finance costs - net					(3,136,826)
Loss for the year					(38,269,120)
Fair value of investment properties	25,378,954	37,206,538	42,408,216	16,416,353	121,410,061
Other current and non-current assets					2,534,822
Cash and cash equivalents					45,089,452
Total assets					169,034,335
Leasehold obligations	-	(18,182)	-	-	(18,182)
Bank borrowings					(84,432,692)
Other current and non-current liabilities					(19,354,406)
Total liabilities					(103,805,280)

There were no transactions between the business segments.

Property related expenditure relates to head lease payments, valuation fees and other direct property costs.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2008 continued

2007	Retail £	Office £	Industrial £	Other £	Total £
Rental income	2,423,244	6,532,162	3,955,836	1,387,246	14,298,488
Unrealised loss arising on adjustment to fair value of investment properties	(3,745,000)	(9,693,162)	(4,351,600)	(1,360,000)	(19,149,762)
Realised loss on disposal of investment properties	-	(859,040)	(552,713)	-	(1,411,753)
Property related expenditure	(136,481)	(449,803)	(134,570)	(16,403)	(737,257)
Segment result	(1,458,237)	(4,469,843)	(1,083,047)	10,843	(7,000,284)
Non-property related expenditure					(2,302,398)
Operating loss					(9,302,682)
Finance costs - net					(4,830,215)
Loss for the year					(14,132,897)
Fair value of investment properties	39,674,425	69,870,477	51,307,240	21,100,000	181,952,142
Other current and non-current assets					2,230,660
Cash and cash equivalents					35,171,457
Total assets					219,354,259
Leasehold obligations	-	(4,314,581)	-	-	(4,314,581)
Bank borrowings					(84,432,692)
Other current and non-current liabilities					(12,765,845)
Total liabilities					(101,513,118)

There were no transactions between the business segments.

Property related expenditure relates to head lease payments, valuation fees and other direct property costs.

27 SERVICE CHARGE

The Group has appointed various managing agents to deal with the service charge at the investment properties.

A summary of the service charge during the year is as follows:

	2008 £	2007 £
Total service charge expenditure incurred	776,303	696,905
Total service charge billed to tenants	684,643	790,072
Service charge billed to the Group in respect of void units	66,458	24,802
Service charge due from/(to) tenants as at 31 December	25,202	(117,969)
	<u>776,303</u>	<u>696,905</u>

28 RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Redeemable preference shares

On 19 December 2003 the Company issued 6,000,000 25p redeemable zero dividend preference shares for £6,000,000 to The Standard Life Assurance Company. On 10 July 2006 these shares were transferred to Standard Life Assurance Limited. These shares have a nominal value of £1,500,000 and are redeemable by the Company at a price of £1.7908. These shares do not carry any voting rights. See Note 14.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008 continued

Ordinary share capital

Standard Life Investment Funds Limited held 21,769,609 of the issued ordinary shares throughout the year on behalf of its Unit Linked Property Funds (2007: 21,769,609). This equates to 20.9% (2007: 20.9%) of the ordinary share capital, however, Standard Life Investments Funds Limited is not considered to exercise control of the Group. Those parties related to the Investment Manager waived their rights to commission on the initial purchase of these shares in order to maintain the fairness of the transaction to all parties. Standard Life Investment Funds Limited received a dividend of 6.76p per share during the year (2007: 6.76p per share).

Cash held on deposit with related parties

As at 31 December 2008, £9,800,976 (2007: £30,971,442) was invested in Standard Life Investments (Global Liquidity Funds) plc, a liquidity fund that is rated Aaa by Moody's. The interest earned on this investment during the year was £2,129,534 (2007: £847,126) representing an average rate of 5.44% (2007: 5.72%).

Standard Life plc is the ultimate controlling party of the Investment Manager, Standard Life Investments (Corporate Funds) Limited. Standard Life Investments (Global Liquidity Funds) plc is an entity that is also managed within the Standard Life plc group.

Directors

The Directors each hold the following number of Ordinary Shares in the Company:

	2008	2007
David Moore	15,000	15,000
Richard Barfield	30,000	30,000
John Hallam	15,000	15,000
Shelagh Mason	15,000	15,000
Paul Orchard-Lisle	25,000	25,000

No Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by any member of the Group since its date of incorporation. Total fees relating to the Directors in the year under review were £103,786 (2007: £84,658), being £100,000 (2007: £80,000) in respect of fees and £3,786 (2007: £4,658) in respect of subsistence. The Directors received a dividend payment of 6.76p per share during the year (2007: 6.76p per share).

Investment Manager

Standard Life Investments (Corporate Funds) Limited is the Investment Manager. Transactions with the Investment Manager in the year are detailed in Note 5.

29 EVENTS AFTER THE BALANCE SHEET DATE

On 18 March 2009 the Group exchanged contracts to purchase Capital Court, Uxbridge for a price of £11.0m. The property is a freehold office in the town centre of Uxbridge. This purchase price represents a net initial yield of 9.95%.

Information for Investors

Shareholders who hold their shares in certificated form can check their shareholding with the Registrars.

Notifications of changes of address and all enquiries regarding certificates or dividend cheques should be sent in writing to the Registrars.

Share Information

The Company's shares are listed on the London Stock Exchange and the share price is quoted daily in the Financial Times.

Details of the Company may also be found on the Investment Manager's website which can be found at: www.standardlifeinvestments.co.uk/its, at Interactive Investor Investment Trust Service, website address: www.iii.co.uk and on TrustNet, website address: www.trustnet.co.uk.

Ordinary shares may be purchased or sold directly through a stockbroker or through your bank, solicitor, accountant, or other professional adviser or through the Company's Registrars or the Company's Savings Plan and Individual Savings Account, details of which are shown at the back of this report.

The net asset value per ordinary share is calculated on a quarterly basis and is published on the London Stock Exchange where the latest live ordinary share price is also displayed, subject to a delay of 15 minutes. "SLI" is the code for the ordinary shares which may be accessed at www.londonstockexchange.com.

Other Information

The Company is a member of the Association of Investment Companies. The Association publishes a Monthly Information Service which contains a wide range of detailed information including statistical and performance data on all its members. A sample copy can be obtained free of charge from The AIC, 9th Floor, 24 Chiswell Street, London, EC1Y 4YY (telephone: 020 7282 5555) along with full details of other publications available from the Association. Alternatively, visit their website on www.theaic.co.uk.

How to Make Future Investments

Introduction

Investors may subscribe to Standard Life Investments Property Income Trust Limited through Standard Life's Savings Scheme or Individual Savings Account ('ISA'). Alternatively, investors may buy shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or financial adviser.

Investment Trust Savings Scheme

Standard Life's Savings Scheme is a straightforward way to invest in the Standard Life Investments Property Income Trust Limited. The minimum investment through Standard Life's Savings Scheme is £50 per month or a £500 lump sum. As well as the 0.5% Government stamp duty, which is currently payable on all share purchases, there is an initial charge of 1.25% deducted from each investment made. A commission payment to a financial adviser of up to 3% of each investment may also be deducted at an investor's request. There is no maximum amount that can be invested in the Company through Standard Life's Savings Scheme and there is no annual management charge.

Investment Trust ISA

Standard Life's ISA is a tax efficient savings vehicle as investors pay no additional income tax or capital gains tax on any money generated by their investments. There are two types of ISA available, a Stock and Share ISA and a Cash ISA. Investment into the Standard Life Investments Property Income Trust is only available through the Stocks and Shares ISA. Investors have the opportunity to invest up to £7,200 when they subscribe to a Stocks and Shares ISA. As with Standard Life's Savings Scheme, the minimum investment in Standard Life's ISA is a £500 lump sum or £50 per month. ISAs attract tax reliefs which the Government may change in the future. The value of these reliefs to each investor depends on their own personal circumstances.

Investment Trust ISA Transfer

Investors may also gain access to the Company by transferring any existing ISA (including a former PEP 'Personal Equity Plan') investments to a Standard Life ISA.

How to invest

For further information on how to invest and an application pack containing full details of the products and their charges, please call Standard Life Investments on 0845 60 24 247. Lines are open from 9am to 5pm Monday to Friday.

For information on Standard Life Investments' range of Investment Trusts and Standard Life's views on the markets, please call 0845 60 60 062.

This is not a recommendation to buy, sell or hold shares in Standard Life Investments Property Income Trust Limited. Shareholders who are unsure of what action to take should contact a financial adviser authorised under the Financial Services and Markets Act 2000. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

Risk Warnings – General

- Past performance is no guarantee of future performance
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the markets in which the Company invests and by the supply and demand for the Company's shares.

How to Make Future Investments continued

- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and PEP tax advantages will depend on personal circumstances. The favourable tax treatment of PEPs and ISAs may not be maintained.

Notice of AGM

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands on 27 May 2009 at 12 noon.

Resolution on
Form of Proxy

Agenda

1. To elect a Chairman of the Meeting.
2. To approve and adopt the Annual Report and Financial Statements of the Company for the year ended 31 December 2008.
3. To re-elect PricewaterhouseCoopers CI LLP as Auditors of the Company until the conclusion of the next Annual General Meeting.
4. To authorise the Board of Directors to determine the remuneration of the Auditors.
5. To re-elect Richard Barfield as a Director of the Company.
6. That the authorised share capital of the Company be increased from £1,300,000 to £5,000,000 by the creation of 370,000,000 ordinary shares of 1 pence each ranking pari passu in all respects with the existing ordinary shares of the 1 pence each in the capital of the Company.
7. To authorise the Company, in accordance with The Companies (Guernsey) Law, 2008, as amended (the "Law") to make market acquisitions of its own shares provided that;
 - a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Ordinary Shares on the date on which this resolution is passed;
 - b) the minimum price which may be paid for an Ordinary Share shall be 1p;
 - c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of acquisition;
 - d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 27 November 2010 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2010, save that the Company may, prior to such expiry, enter into a contract to acquire Ordinary Shares under such authority and may make an acquisition of Ordinary Shares pursuant to any such contract.
8. Any other business.

By Order of the Board
For and on behalf of
Northern Trust International Fund Administration
Services (Guernsey) Limited
Secretary

30 March 2009

Notes

A Member entitled to attend, speak and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him. The requisite form must be delivered to PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL at least 48 hours before the time of the Meeting.

A proxy need not be a Member

Standard Life Investments Property Income Trust Limited

Directors and Company Information for the year ended 31 December 2008

DIRECTORS	David Christopher Moore (Chairman) Richard Arthur Barfield John Edward Hallam Shelagh Yvonne Mason Paul David Orchard-Lisle CBE
REGISTERED OFFICE	Trafalgar Court Les Banques St. Peter Port Guernsey
ADMINISTRATOR, SECRETARY AND REGISTRAR	Northern Trust International Administration Services (Guernsey) Limited Trafalgar Court Les Banques St. Peter Port Guernsey
REGISTERED NUMBER	41352
INVESTMENT MANAGER	Standard Life Investments (Corporate Funds) Limited 1 George Street Edinburgh EH2 2LL
INDEPENDENT AUDITORS	PricewaterhouseCoopers CI LLP National Westminster House Le Truchot St. Peter Port Guernsey GY1 4ND
SOLICITORS	Dickson Minto W.S. 16 Charlotte Square Edinburgh EH2 4DF Ozannes Advocates and Notaries Public PO Box 186 1 Le Marchant Street St Peter Port Guernsey GY1 4HP
PRINCIPAL BANKERS	The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR
PROPERTY VALUERS	Jones Lang LaSalle Limited 22 Hanover Square London W1A 2BN

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